



Nicole Galloway, CPA
MISSOURI'S 38th STATE AUDITOR



Letter from Auditor Galloway

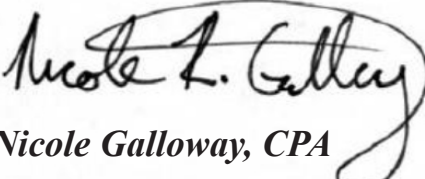
Serving as your independent taxpayer watchdog for the past nearly eight years has been among the greatest honors of my life. I have endeavored to earn your trust and have your back. Taxpayers deserve someone in government who is looking out for them, not politicians and special interests. Being your advocate in government has been my mission and I am proud of everything we've accomplished together.

I've worked closely with law enforcement to bring those who break the public trust to justice. As a result, 81 criminal charges were brought against corrupt public officials because of our audits. We've uncovered hundreds of millions of public dollars that were mismanaged, wasted, and stolen. Programs that rely on public funding have been made more efficient, less wasteful and more transparent because of our audits.

I am also proud that my office has led the way in state government when it comes to policies that are pro-working family, such as paid leave for new parents, and creating a workplace protection policy to ensure employees experiencing domestic violence can remain safe without worrying about job security. I ran my office under budget every year, returning \$2.3 million to you, the taxpayers, in the process. Every independent review and audit of our office operations found an organization running efficiently and effectively.

I will reflect on my time as your Auditor with pride and a deep appreciation for the enormous power this office has to make Missouri work better for its people.

Thank you for providing me with the opportunity to serve.


Nicole Galloway, CPA

Term Highlights

A certified public accountant and certified fraud examiner, Nicole Galloway served as the 38th State Auditor of Missouri from April 2015 to January 2023. Her expertise and efforts as the state's independent watchdog helped government at every level improve operations, spanning from statewide offices to county commissions to school districts.

The State Auditor's Office received the highest marks during several reviews and audits of its operations under Auditor Galloway.

- In 2017 and 2020, the National State Auditors Association gave the highest rating possible in its peer reviews, which are conducted every three years.
- The Missouri General Assembly issued two separate audits of the office and found overall operations were managed professionally.

- Auditor Galloway herself was honored with the Missouri NAACP Game Changer Award for her role in shining a light on inappropriate and unfair practices occurring in municipal courts across the state.

Time and again, Auditor Galloway demonstrated that audits get results. Her reports resulted in changes to government operations, improved processes and the return of stolen taxpayer funds. Her audit recommendations have also resulted in the passage of bipartisan legislation to increase government accountability, protect privacy and safeguard taxpayer dollars. In total, nine of the Auditor's priorities were passed by lawmakers, with eight of the bills becoming law.



Auditor Galloway placed an emphasis on identifying fraud in government and holding those responsible accountable. Her audits identified more than **\$380 million** in government waste, fraud, abuse and mismanagement.

Galloway's audits and investigations resulted in **81 criminal charges** against public officials who betrayed the public trust.



Fighting Public Corruption

Auditor Galloway launched her Public Corruption and Fraud Division in 2019. The team - a dedicated group of attorneys, auditors and investigators - has a demonstrated history of working with local, state and federal law enforcement to pursue justice for taxpayers. Since 2015, audits and investigations have resulted in 81 criminal charges against public officials.

Hospital Audit Unravels Multi-State Fraud

An audit of Putnam County Memorial Hospital in 2017 led to the eventual discovery of a multi-state \$1.4 billion billing scheme that used small rural hospitals to submit fraudulent claims. Auditor Galloway found \$90 million in illegal billings were passed through the 15-bed hospital; this marked the largest fraud exposed in the history of the Missouri State Auditor's Office.

Auditor Galloway's office worked with federal law enforcement officials, who obtained convictions of several individuals on charges of health care fraud, including the former CEO of the Putnam County hospital and the former head of the hospital management company.

"The unraveling of this billing scheme began right here in Missouri with a state audit, and I'm proud of how my staff worked with the Department of Justice and other federal agencies to bring this fraud to an end," Auditor Galloway said.

Three Parma Officials Face Charges

The former mayor, city clerk and water supervisor of the small Bootheel town of Parma were charged criminally after an audit found \$115,000 had been misappropriated and that meeting minutes and financial records were falsified. The night that new city officials took office, suspicious fires at city hall and at the former mayor's home destroyed some city records and computers. Despite the fires, auditors from Auditor Galloway's office were able to compile information from other documents to complete the audit and then assist law enforcement authorities.

Clerk Took \$300,000 to Pay Credit Cards, Other Personal Expenses

An audit that began with a tip to the Whistleblower Hotline uncovered a scheme by the former city clerk of the small Ralls County town of Center to take more than \$300,000 in taxpayer funds. The clerk used the funds to pay credit card bills and other personal expenses. Tracey Ray was sentenced on federal charges to serve 18 months in prison and repay \$314,889.

Road District Bookkeeper Falsified Records, Took Over \$286,000

The former bookkeeper of the Plattsburg Special Road District pleaded guilty to a federal theft charge for misappropriating more than \$286,000. Auditor Galloway determined that Ava Langner defrauded the district in Clinton County through years of unauthorized self-payments, then attempted to cover up her crime by falsifying records. Langner was ordered to pay restitution of more than \$100,000.

Viburnum Clerk Adjusted Books by \$100,000 After Pocketing Cash Payments

An audit of Viburnum in Iron County discovered an elaborate, seven-year scheme by the former city clerk to adjust customer utility accounts by more than \$100,000 after pocketing cash payments, and then destroying records and other evidence. The audit also found that Dana Mayberry adjusted her personal utility account to avoid paying for water and sewer services. After pleading guilty, Mayberry was ordered to pay restitution to the city.

*“It is my job to tell
Missourians who is corrupting
our government, and to hold
the powerful accountable to
the people of this state.*

*Each time we expose
corruption, it puts others on
notice that their wrongdoing
will see the light of day.”*

-Auditor Galloway



Collector Sentenced to 30 Months, Ordered to Repay \$380,000

The former collector of Callaway County received a 30-month prison sentence and was ordered to repay the county nearly \$380,000. An audit found the collector stole the money over a period of more than two years. A follow-up report found county officials had taken recommended actions to ensure greater accountability in the future.

Greenville City Clerk Sentenced to 10 Years

The former clerk of Greenville in Wayne County was sentenced to 10 years in prison and ordered to repay more than \$168,000 to the city. A 2018 state audit discovered the extent of missing funds misappropriated through improperly cashed checks, missing cash, and improper payroll payments. Forensic accounting done by auditors in Auditor Galloway's office provided the key evidence in the case against Pamela Birmingham. A follow-up report showed Greenville city officials had made many of the recommended changes to better protect taxpayer resources and restore public trust.

More than \$44,000 Missing From Town of 120

A 2022 audit found more than \$44,000 was misappropriated by the former city clerk of Cross Timbers, and that the Hickory County town of 120 was in poor financial condition. January Clark, who faces a felony stealing charge, received payments that were never deposited, improperly adjusted accounts including her own, and overpaid herself for hours that could not be established.

The Auditor's Office worked with law enforcement authorities to obtain the evidence used in her criminal prosecution.

Charges Filed After \$65,000 Found Missing From Municipal Court

A 2015 audit of the City of Carl Junction Municipal Court, in Jasper County, uncovered more than \$65,000 in missing funds. The former clerk of the court took payments that were not deposited into court bank accounts. The audit found significant weaknesses in oversight of court operations allowed the misconduct to go unnoticed for years. After pleading guilty to a charge of receiving stolen property, Cynthia Troutman was ordered to repay \$40,000.

Cooper County Clerk Pleads Guilty to Stealing

A routine audit of Cooper County found that the county clerk had misappropriated county funds to purchase a leased vehicle for personal use and schemed to evade paying sales taxes. In 2017, Darryl Kempf pled guilty to stealing and resigned from office.

Audit Details Stealing From Fire District

The former board president and fire chief of a St. Louis County fire district pleaded guilty to federal charges of stealing, after an audit from Auditor Galloway detailed the misuse of funds from the Kinloch Fire Protection District. The audit revealed more than \$72,000 in improper purchases and cash withdrawals from the district's bank account, and an additional \$25,000 in spending that could not be verified as appropriate.

FEDERAL FRAUD TRIAL UNDERWAY



JORGE PEREZ

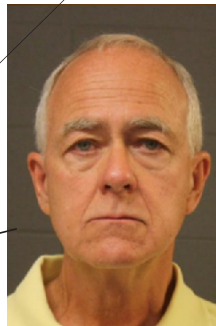
ACCUSED OF FRAUD

FORMER CITY CLERK ACCUSED

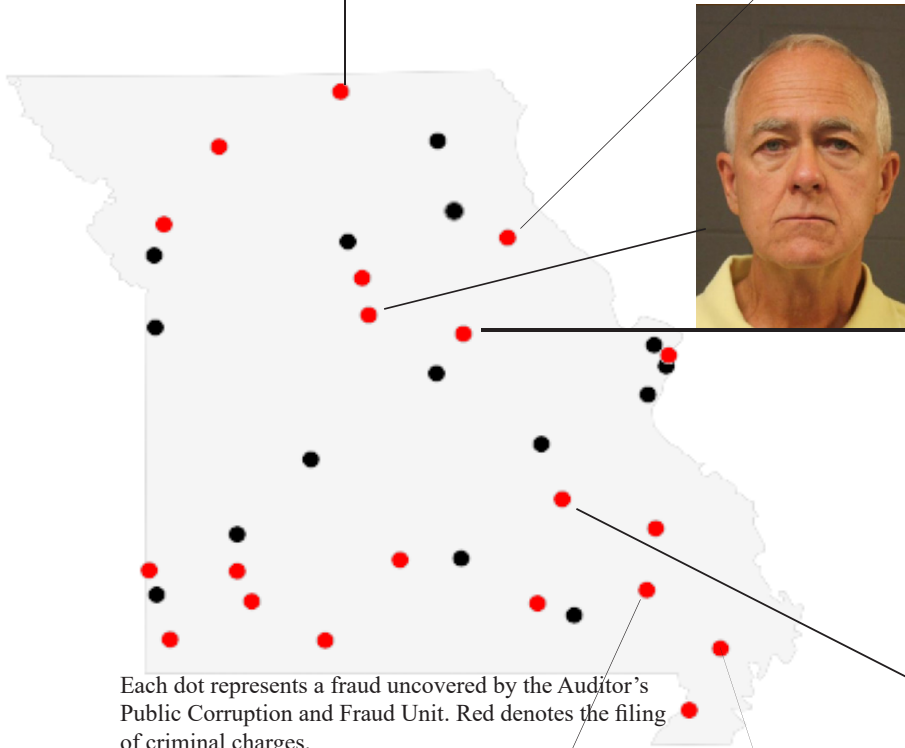
AUDIT FOUND RAY STOLE ALMOST \$317,000



TRACEY RAY



[Top left: Putnam County Memorial Hospital fraud leader Jorge Perez; top right: Former Ralls County Clerk Tracey Ray; at left: former Cooper County Clerk Darryl Kempf; below: Former Callaway County Collector Pamela Oestreich, former Viburnum Clerk Dana Mayberry.]

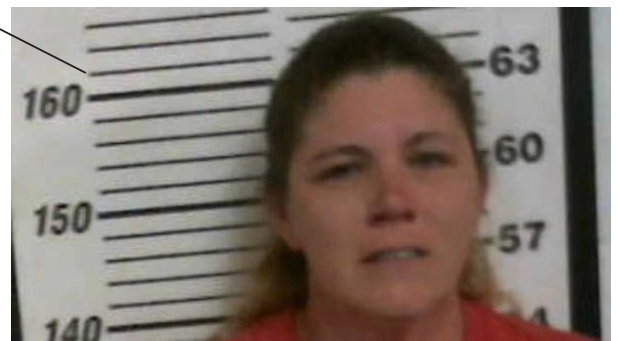


Each dot represents a fraud uncovered by the Auditor's Public Corruption and Fraud Unit. Red denotes the filing of criminal charges.

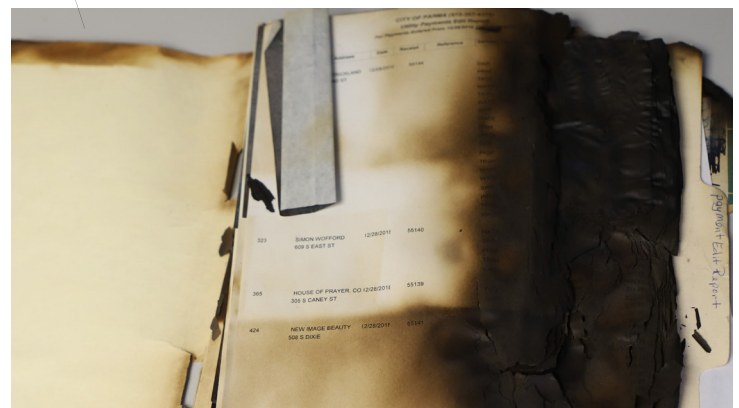
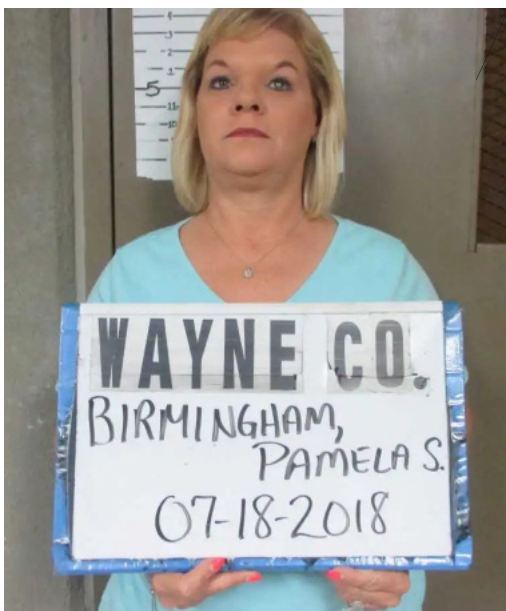
FORMER COLLECTOR SENTENCED CALLAWAY COUNTY



PAMELA OESTREICH



[Left: former Greenville City Clerk Pamela Birmingham; Lower right: Part of the Parma city records recovered from suspicious fire.]





Discussing the Putnam County Memorial Hospital fraud with CBS Evening News in 2018



Announcing criminal charges against former Callaway County Collector Pamela Oestreich, who later pleaded guilty in federal court to embezzling more than \$300,000 from taxpayers

Protecting the Vital Role of Whistleblowers

Each year - through phone calls, the Auditor's website, or by letter - hundreds contact the State Auditor's Whistleblower Hotline. Auditor Galloway emphasized the vital role that whistleblowers have in ensuring good government, and promoted its use to report wrongdoing. By bringing important information to light, those contacts have often initiated investigations or audits, leading to changes that benefit taxpayers.

Whistleblowers provided information that aided comprehensive independent audits in two of Missouri's largest counties, Clay and Greene. In Clay County, more than 9,000 residents signed a petition seeking an audit and in Greene County, newly elected county commissioners granted Auditor Galloway's request to perform an audit. Whistleblowers also helped spark audits after wrongdoing by local officials in communities such as Center and Parma, and in offices in



Lincoln and St. Francois counties.

In addition to promoting the Whistleblower Hotline during her two terms, Auditor Galloway also fought for increased protections for whistleblowers through legislation. In one case, she went to court to preserve a whistleblower's anonymity, which was protected by state law.

In 2017, Galloway and Senator Jill Schupp outlined their plan to enhance whistleblower protections in the law after then-Governor Greitens signed a bill that exposed whistleblowers to retaliation for reporting government wrongdoing.





Shining a Light on Taxing Districts

Throughout her two terms, Auditor Galloway called for more accountability and transparency of Community Improvement Districts (CIDs) and Transportation Development Districts (TDDs), which collect tax dollars for projects intended to benefit the public interest. Statewide audits of CIDs and TDDs found many districts engaging in questionable practices with little oversight or transparency, with taxpayers on the hook for \$3 billion in outstanding project costs.

In 2016 and 2017, the Auditor worked with legislators to pass laws to increase oversight of these districts. She also created a web page where Missourians could find tax rates for thousands of taxing districts across the state.

Audits of local taxing districts uncovered numerous concerns, including:

- A lack of planning and oversight of districts in the City of St. Louis, allowing spending decisions to be made by those that benefit the most.
- A TDD in Cass County that was dissolved after collecting thousands of dollars but that made none of the upgrades promised.
- A CID in Van Buren whose former board members used almost \$300,000 in taxpayer funds to pay private business debts and for private construction and business improvements, including to a convenience store owned by board members.

A Watchdog for Taxpayers

Billions of taxpayer dollars are received and spent by Missouri state government each year. In her role as the independent watchdog for taxpayers, Auditor Galloway used her audits to identify problems in agencies and offices under both political parties and demanded accountability.

Speeding up Tax Refunds

For several years, Missourians expecting state refunds waited several months or longer to get the money they were owed. More than 1,000 taxpayers contacted the Auditor's Office about late refunds and how they were kept in the dark about why the refunds were late.

Auditor Galloway audited the Department of Revenue to get answers for taxpayers. When the Department failed to provide the information requested, the Auditor took the rarely used step of issuing a subpoena, and the information was turned over the next day.

Auditor Galloway's efforts also put a spotlight on an inequity in state law that resulted in a much lower interest rate paid on delayed refunds to taxpayers than the interest taxpayers had to pay for submitting their taxes late. Galloway's legislative fix passed in 2018, leveling the playing field for taxpayers.

More Accountability for Legal Settlements Using Tax Dollars

A 2017 audit of the state's Legal Expense Fund found there was no system in place to track the amount and nature of settlements and judgments paid by state agencies. In addition, the audit found that payments from the fund were consistently higher than the amounts budgeted.

Auditor Galloway also was a consistent critic of non-disclosure agreements, or NDAs, in settlements or judgments. NDAs prevented public discussion of claims settled against the government, she said, and hid long-term problems that often resulted in more lawsuits and greater costs to taxpayers. Those secret agreements are now prohibited because of legislation pushed by the Auditor.

Tracking Federal COVID Relief Dollars

In 2020, Auditor Galloway announced efforts to ensure oversight and transparency of the state's distribution and spending of billions of dollars from the federal government for COVID relief. She launched an online tool to give Missourians a detailed look at expenditures, tracking not only how much was received and expended in relief funds, but also listing which state and local government departments, vendors and expense categories were receiving the most funding. The Auditor's Office also issued monthly reports detailing state government's use of federal stimulus dollars used for COVID response.

Looking at Tax Credits for Efficiency and Effectiveness

As part of her office's Budget Integrity Series, Auditor Galloway examined the state's tax credit programs. The report showed that tax credit programs cost the state \$5.4 billion over a ten-year period, and that the state had a \$3 billion tax credit liability over several years for credits authorized but not redeemed. Auditor Galloway urged the General Assembly to demand more from state agencies administering the programs, including ensuring that benefit-cost analyses are accurate.

Audits Get Results

Galloway's audits put the spotlight on instances of mismanagement in government. Highlighting these inefficiencies and mismanagement led to change and reform.

Audit Finds \$2 Million in Hidden "Bonuses" at University of Missouri System

In a 2017 audit of the University of Missouri System, Auditor Galloway uncovered more than \$2.3 million in hidden payments and incentives given to top administrators, including luxury vehicle allowances and other compensation not included in published salaries. The Auditor said the additional compensation amounted to bonus pay, because there were no clear guidelines or performance metrics. Less than a week after the audit was released, the university system announced it was terminating the executive bonus program.

Uncovering Problems in Municipal Courts

In 2016, Auditor Galloway issued a report that identified several areas of recurring concerns with Missouri's municipal courts. Those concerns included missing funds, lack of oversight, and improper fees and poor record-keeping. She said the issues needed to be addressed for courts to regain the trust of citizens.

An audit of the Ferguson Municipal Court in St. Louis County found a court in disarray with disorganized case files, court records damaged because of improper storage, at least \$1,400 in cash missing, and \$26,000 in illegal fees charged to citizens. In southwest Missouri, an audit of the Carl Junction Municipal Court uncovered more than \$65,000 missing, leading to criminal charges.

Monitoring State Agencies and Programs

With billions of dollars administered by state agencies and programs, audits from the State Auditor's Office help monitor the use of those funds to best benefit Missourians. When efficiency and effectiveness need to be improved, audits identify those shortcomings.

A report on domestic violence shelter funding found burdensome requirements in state law, meaning there was an inefficient and uneven distribution of funding across Missouri. In addition, domestic violence victims in Missouri were being turned away from shelters at a higher rate than neighboring states. Auditor Galloway said the requirements for information from shelters often duplicated documentation already filed with the state. She said victims of domestic violence shouldn't be turned away from help because red tape was holding up funding.



Encouraging Better Financial Practices in Local Government

Audits of counties and cities across the state identified numerous concerns that cost taxpayers, and resulted in audit ratings of “poor.” An audit of New Madrid County found that payroll tax withholdings were not being sent to the state, resulting in more than \$50,000 in interest charged to local taxpayers. Officials in Bel-Ridge, Monroe City, Glasgow, Sparta and Dade County, among others, were not adequately monitoring financial conditions, resulting in serious impacts to municipal and county budgets. A fire station built through a voter-approved bond in the Smithville Area Fire Protection District sat unused because of poor planning by officials to pay for staffing the station. Entities that received the lowest audit rating were often given a follow-up report to measure the progress local officials made to implement audit recommendations. In many cases, local officials made progress to address those issues.

Auditor Galloway routinely hosted county and local government officials in Jefferson City to share best practices for protecting the public trust (pictured at right.)



Transparency - a top priority for Auditor Galloway

Transparency in government operations was a standard Auditor Galloway upheld for the agencies she audited and her own office as well. A 2016 audit from the Auditor’s Office sent an open records request to more than 300 government entities and found that only 30% fully complied with laws designed to keep government accessible to citizens.

Audits of agencies often identified concerns about compliance with Missouri’s Sunshine Law, including improperly closed meetings and accessibility to public records. Auditor Galloway used the subpoena power of her office to obtain information from the Missouri Department of Revenue as part of an audit to ensure Missourians received their tax refunds in a timely manner.

In a letter sent to local and county governments in 2019, the Auditor called on local governments to be fully transparent with Missourians. She encouraged them to ban the use of self-deleting apps, which could be used to conduct public business in secret. The letter also included updated guidelines from the State Records Commission, reflecting developments in how public records are maintained electronically.

Thorough, Comprehensive Reviews

Greene County

In December 2017, Auditor Galloway asked the Greene County Commission to authorize an audit into whistleblower allegations that public resources were misused to advocate for a 2017 ballot measure. The then-commission did not grant the request, and it was only after two new commissioners were elected that an audit could begin in 2019.

The final audit in Greene County found that taxpayers paid more than \$25,000 in legal invoices related to an ethics complaint against a county commissioner surrounding the ballot measure campaign. The same commissioner also used his official county e-mail to encourage other county employees to engage in campaign activity around the sales tax measure.

City of St. Louis

In 2018 the City of St. Louis Board of Aldermen requested a comprehensive audit of the City of St. Louis. Auditor Galloway began the process by hosting a series of listening sessions with residents and stakeholders. Next, the office reviewed whether the city had addressed the findings of the last comprehensive audit of the city in 2010. By the end of her term in office, Galloway had issued 22 audit reports covering City of St. Louis departments and government operations.

Jackson County

In early 2021, Auditor Galloway released the final report on Jackson County, the second-most populous county in Missouri. The review of the county assessment department found several problems that the Auditor's Office recommended be addressed to ensure better oversight of the assessment process. County officials indicated they were moving forward with the recommendations. Auditor Galloway released four reports on county operations in 2020 that also gave recommendations to ensure transparency and more effective use of taxpayer dollars. The audits of Jackson County government finances were initiated by a request from the county legislature.

St. Louis County

After the former St. Louis County Executive was federally charged with public corruption, Auditor Galloway was asked by the county council to conduct an independent review of county government operations in 2019.

Her audit found that inadequate oversight enabled the former county executive and his appointee to the St. Louis Economic Development Partnership to abuse their positions through large, unauthorized bonuses and manipulation of contracting and procurement processes.

Clay County

An audit of Clay County government was initiated after a citizen petition was submitted to the State Auditor's Office. The Clay County Commission filed a lawsuit to prevent the Auditor from conducting the citizen-mandated audit, but a court ruling dismissed the lawsuit and confirmed the Auditor's legal authority. Throughout 2021, the office worked to complete the audit of the operations of the former Clay County Commission, with the final report issued in early 2022.

In 2020, the State Auditor's Office released reports on the Clay County clerk, public administrator, recorder of deeds and collector. In 2021, the office released the report on the Clay County Sheriff. In February 2022, all audit work on the comprehensive petition audit of Clay County government was completed with the release of the report on the Clay County Commission.

“The ability for taxpayers to petition the State Auditor for a comprehensive review of their local government is a **powerful tool** for citizens to demand **accountability and transparency.**”

- Nicole Galloway, CPA



Auditor Galloway visits Clay County to deliver the results of her audit of the former county commission in 2022.

Demanding Accountability in Charter Schools

As a strong supporter of public education in Missouri, Auditor Galloway called for better oversight of the state's charter schools, which receive the same funding as public schools but can operate free from some rules that apply to traditional public schools. A 2020 audit of charter school closures found that 23 of 26 charter schools that closed did so for reasons linked to mismanagement, financial distress, or poor academic performance. Auditor Galloway recommended setting standards in state law to provide consistent training and qualification standards for charter school board members.

Audits of Individual Charter Schools Revealed Mismanagement and Even Fraud

- Administrators at Hope Academy Charter School in Kansas City inflated attendance records, leading to the state making \$4.3 million in overpayments over a two-year period before the school closed. After the 2015 audit, the Missouri Attorney General sued to recover the overpayments.
- The former executive director of the defunct St. Louis College Prep Charter School was sentenced to prison and ordered to repay \$2.3 million in public funds. A 2019 audit found Michael Malone falsified attendance records, leading to the overpayment. Auditor Galloway's Public Corruption and Fraud Unit worked with the U.S. Attorney and the FBI on the case.
- An audit of Pathway Academy Charter School in Kansas City in 2020 found several concerns at the now-closed school. Those included thousands of dollars in improperly paid bonuses and questionable disbursements and credit card use.

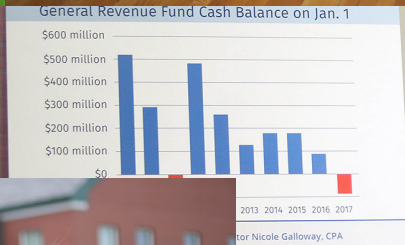
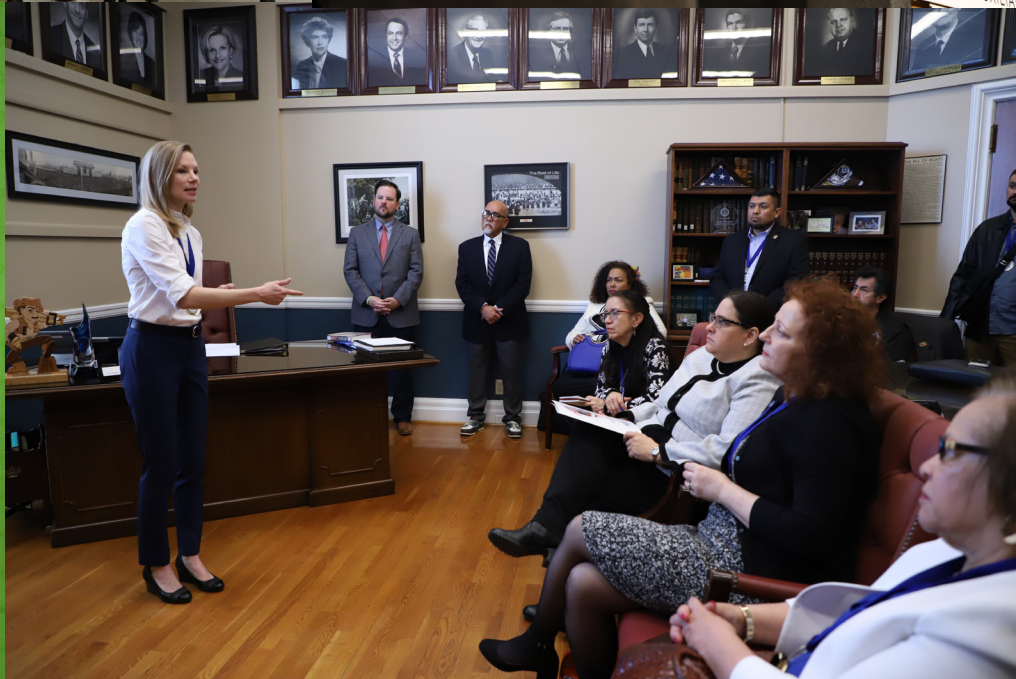
Protecting Personal Data of Students in Public Schools

In 2015, Galloway launched her Cyber Aware School Audits to identify practices that improve the security of information schools have on students and their families. Auditor Galloway made cybersecurity a priority across all components of government, including Missouri schools. The Cyber Aware School Audits were part of an ongoing emphasis on data protection practices and keeping Missourians' information secure.



(Left) Presenting Cyber Aware School Certificate to the Harrisonville School District in 2018

(Right) Clockwise from top: Meeting with St. Louis-area clergy regarding the City of St. Louis comprehensive audit 2018; Speaking at Girls State 2019; Meeting with Hispanic Leaders of Greater St. Louis 2020; Budget Integrity Series Press Conference 2017; Attending the Missouri State Fair 2018; Touring Fort Leonard Wood 2019; Speaking at 150th Anniversary celebrations for Missouri S&T 2020





BY THE NUMBERS

**1,080 REPORTS
ISSUED**

**\$2.3M
RETURNED TO
TAXPAYERS**

Running the office under budget
every year resulted in \$2.3M
returned to the general revenue
fund

\$380M

Hundreds of millions in waste,
fraud, abuse and mismanagement
uncovered

**81 CRIMINAL
CHARGES
BROUGHT
AGAINST
CORRUPT
PUBLIC
OFFICIALS**

**FIVE
INDEPENDENT
REVIEWS**

Every independent review of
Galloway's office operations found
an organization running efficiently
and effectively